
**DRS EMPLOYER ADVISORY COMMITTEE
M I N U T E S****March 25, 2004**

DRS Members Present:

Dave Nelsen, Chairperson; and Tim Valencia, Legal/Legislative Services Manager.

Additional DRS Staff Present:

Brian Berghoff, Employer Relations Unit; Michelle Hardesty, Employer Audit and Information Processing; Gayle McGee, Strategic Initiatives; Fabiana Eussen, Administrative Services and Liz Cambridge, Employer Support Services.

Employer Members Present:

Joanne Amrine, Chehalis School District; Rachel Brock, University of Washington; Gail Davila, City of Bellevue; Beverly Freeman, Chelan County PUD 01; John Goetz, Center for Information Services; Cindy Lee, King County; John McGuire, Department of Social and Health Services; Marcia Moore, Central Kitsap School District; Michelle Mortimer, City of Olympia; Nancy Savage, Pierce County; and Chandra Winston, Port of Seattle.

Employer Members Not Present:

Mary Christle, Educational Service District; Tom Gaines, Washington School Information Processing Cooperative (WSIPC); Pamm Scott, Bellevue Community College; Sally Spangler, Washington State Patrol; and Susan Sparks, Human Resources Information Systems Division (HRISD).

Agenda Items:

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| • Welcome and Announcements
<i>Dave Nelsen</i> | • Employer Training Update
<i>Brian Berghoff</i> |
| • Legislative Update
<i>Tim Valencia</i> | • Open Discussion
<i>Committee</i> |
| • Defined Benefit Access Prototype
Demonstration
<i>Gayle McGee</i> | • Agenda Items for Next Meeting
<i>Committee</i> |
| • Employer Satisfaction Survey Feedback
<i>Dave Nelsen</i> | • Adjourn |

WELCOME AND ANNOUNCEMENTS

Chair Nelsen welcomed Committee members and thanked them for attending. He went on to make several announcements and introductions:

- Beverly Freeman from Chelan County PUD is a new member of the Employer Advisory Committee; she is replacing Reagan Ulrich who left the agency.
- Jeralyn Faulhaber has moved to the LEOFF Plan 2 Board. Liz Cambridge and Fabiana Eussen are the assistants in the interim
- George Pickett is the new Deferred Compensation Program Manager.

- Dorothy Bailey has taken the role of Assistant Director of the Retirement Services Division. Dave Nelsen is no longer directing two divisions.
- Steve Nelsen has taken a new position with the LEOFF Plan 2 Board. Tim Valencia is the new DRS Legislative Liaison.

LEGISLATIVE UPDATE

Tim Valencia, Legal/Legislative Services Manager, provided an update of interim legislative activities. Forty-five pension-related bills were issued and of those only nine passed.

SCPP Legislation

- **WSPRS Plan 2 Death Benefits – SB 6254/HB 2534** - This bill provides that beneficiaries of a WSPRS Plan 2 member with 10 years of service who is killed in the course of employment would receive retirement benefits without an actuarial reduction for early retirement. This bill applies to any member killed in the course of employment, as determined by the director of the Department of Labor and Industries, on or after the effective date of this bill. Both of these bills are scheduled for signature March 26th, 2004.
- **Purchase of Additional Service Credit – HB 2535** – This bill provides that a member who applies for early retirement in PERS or SERS Plan 2 or Plan 3 may, at the time of retirement purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit. A member may pay all or part of the cost of the additional service credit with an eligible transfer from a qualified retirement plan. Additional purchased service credit could not be used to qualify a member for the three percent per year early retirement reduction available to members of PERS and SERS Plan 2 or Plan 3 with 30 years of service credit. Chair Nelsen explained that the purchase of service credit could not be used to qualify for early retirement options. The governor is scheduled to sign this bill March 26, 2004. Changes resulting from this bill will be effective July 1, 2006. All final details will be resolved by that date.
- **Public Safety Employees' Retirement System (PSERS) Plan 2 – HB 2537** – This bill creates the Public Safety Employees' Retirement System (PSERS) Plan 2. Full-time and fully compensated employees in the following job classes, in effect as of January 1, 2004, are eligible for membership in the new PSERS plan:
 - ◆ City corrections officers, jailers, police support officers, custody officers, and bailiffs;
 - ◆ County corrections officers, jailers, custody officers, and sheriffs corrections officers;
 - ◆ County probation officers and probation counselors;
 - ◆ State correctional officers, correctional sergeants, and community corrections officers;
 - ◆ Liquor enforcement officers;
 - ◆ Park rangers;
 - ◆ Commercial vehicle enforcement officers;
 - ◆ Gambling special agents

Chair Nelsen explained that this retirement plan is based on specific job classes. For example: if a member's job title were *County Bailiff*, he or she would not be eligible for this plan. Only the exact job titles listed above are qualified.

Membership would be offered to public safety employees enrolled in PERS Plan 2 or Plan 3 on July 1, 2006. These employees will have from July 1, 2006 to September 30, 2006 to choose to remain in PERS Plan 2 or Plan 3, or to become a member of the PSERS Plan 2. If after September 30, 2006 the employee has not chosen to become a member of the PSERS Plan 2 they will remain a member of PERS. A question was asked as to whether or not employees will be given another chance to transfer in the future, Mr. Valencia answered that it would be a one-time transfer option. Employees hired into public safety positions on or after July 1, 2006 will become members of the PSERS Plan 2 unless they have previously established membership in PERS Plan 1. Public Safety employees in PERS Plan 1 will remain in PERS. The plan would provide for a retirement allowance equal to 2% of a member's average final compensation for each year of service credit payable under the following standard retirement options:

- ♦ Normal retirement at age 65 with at least 5 years of service credit
- ♦ Unreduced retirement at age 60 with at least 10 years of service credit in PSERS
- ♦ Early retirement at age 53 with at least 20 years of service credit; retirement allowance reduced by 3% for each year the member retires prior to age 60
- ♦ Disability retirement with at least 10 years of service credit in PSERS; retirement allowance with an actuarial reduction for each year the member retires prior to age 60.

A question was asked regarding dual membership; if a member is in a plan that has a higher retirement age than PSERS and is *also* in the PSERS plan what age do they get to retire at? Chair Nelsen said that the member could retire at the lower age of PSERS, but with an actuarial reduction to the benefits in the first, higher aged plan. The member could also wait until the required age for the first plan.

- **Minimum monthly benefit for PERS Plan 1 and TRS Plan 1 – SHB 2538** - This bill establishes a \$1,000 minimum monthly benefit for PERS Plan 1 members and TRS Plan 1 members who have at least twenty-five years of service and who have been retired at least twenty years. Members meeting this eligibility would have their benefit payment, before applicable reductions, increased to \$1,000 effective with their July 2004 payment. The new minimum amount would remain in effect until the original benefit calculation plus annual cost of living increases exceeds \$1,000. This bill was signed by the Governor on March 12th, 2004.
- **Asset Smoothing Corridor – SB 6249** – This bill establishes an asset smoothing corridor for actuarial valuations used in the funding of the state retirement systems. This will change the math equation so the changes are not so dramatic.

Other Legislation

- **Charter Schools – E2SHB 2295** - This bill provides for the creation of charter schools. The maximum number of charters that can be granted under this bill is 45 during the six years beginning July 1, 2004 and ending June 30th, 2010. Sections 21, 22, and 23 establish the charter schools as employers and charter school employees as members of

the Teacher's Retirement System, the School Employees' Retirement System and the Public Employee's Retirement system, respectively, pending IRS approval.

LEOFF Plan 2 Board Legislation

- **LEOFF Plan 2 disabled members – HB 2418** –This bill applies to members of LEOFF Plan 2 who leave service because of a line of duty disability. This bill entitles the member to withdraw 150% of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. This bill also provides that a member of LEOFF Plan 2 who leaves service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10% of final average salary. If the two percent per year of service disability benefit, actuarially reduced for the difference between age 53 and age at retirement, results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the line of duty disability benefit is not subject to federal income tax. The line of duty disability benefit applies to all LEOFF Plan 2 members disabled in the line of duty on or after January 1st, 2001. This bill was signed by the Governor on March 11th, 2004. Changes will be effective June 10th, 2004.

DEFINED BENEFIT ACCESS PROTOTYPE

Gayle McGee provided a presentation on upcoming online access to member's defined benefit account information.

As a result of member requests, DRS is currently preparing an online application that will give members, retirees, inactive members, and survivors access to their current defined benefit information. The program will be launched in phases. The first phase will provide members with read-only account information. The following phases may allow members to update their personal information, display benefit estimates, link a retirement calculator to the members data, and give the member the ability to apply for retirement or a withdrawal. DRS hopes to have phase one launched by the summer of 2004. A test will be launched in June of 2004 to approximately 30 select members. The program will not be marketed during the first few months that it is available. Members will be able to use it if they find it on the website. Once DRS is assured that everything works, marketing, demonstrations, and training will begin.

A lot of research has been done to find out the standard policies that banks use for secure information. DRS will require the member's name, date of birth, ZIP code, and last four digits of their Social Security Number in order to verify the member's identification and establish account access. At the time of registration the member will also be asked for their current e-mail. This e-mail will be put on file at DRS. Members will establish their own ID. DRS will provide a temporary password, which, upon first login, the member will have to change. The password has certain requirements following the DIS standards (alphanumeric and symbol).

The user will be able to view and print their Service Credit Detail, Contribution Rate, Annual Statements, Employment History and the amount of their last benefit check. They can also view their plan summary. This information will be updated nightly. Employers will not be given access to this information.

EMPLOYER SATISFACTION SURVEY

Chair Nelsen gave an overview of the results of DRS's Employer Satisfaction Survey. Over all satisfaction is at an all time high! Internally, DRS has achieved goals and implemented changes to help achieve this level of service. Staff has been trained routinely so that all incoming questions are answered uniformly. All units are encouraged to answer incoming calls within

thirty seconds. An EAC member commented that she has seen a great improvement in DRS's service. Chair Nelsen questioned how employers would feel about having the annual survey results posted to the DRS website. Committee members agreed that would be acceptable.

EMPLOYER TRAINING UPDATE

Brian Berghoff gave an update regarding the status of the DRS employer training program. E-mails were sent out to employers recently announcing the dates for the 2004 Statewide Training Workshops.

This year DRS will be holding two 3-hour workshops per day- one in the morning and one in the afternoon. The workshops will be focusing on determining eligibility, an understanding of that area will help with other reporting issues.

Employers can register for a workshop online or by calling the Employer Relations Unit. To view the workshop schedule employers can go to the Employer Information link on the DRS website. Another valuable tool available on the DRS website is the "New Hire Pyramid". It will help you determine the process of enrolling a new member into plan 2 or 3 or transferring a current plan 2 member into plan 3.

Mr. Berghoff also stated that in April an e-mail will be sent out letting employers know that a new update of the Employer Handbook will be offered as a PDF file on the internet. This is the first update where paper copies will not be sent out.

OPEN DISCUSSION

Edit Report- Address Changes

An issue regarding address changes being rejected on edit reports was brought up. The question was, why does the employer have to see that an employee's address change has been rejected? This may show the employer that their employee is thinking of retiring. Chair Nelsen noted this issue and will note it for future discussion.

Plan 3 Member Newsletters

A question was asked as to whether employers could be notified when members have been sent something from DRS. Chair Nelsen stated that a mail out notification to employers would not be cost effective but an e-mail may be possible.

Part-Time Eligible Employee Procedure

During the last legislative session, a law was passed for SERS substitutes to be reported differently so that when a part-time substitute is hired no deduction would be made into a plan, and the member would have the option to purchase any eligible time. The employer would still report the hours, service credit, and compensation of all of these employees, but no contributions. If it would be of benefit to the PERS plan to have a similar reporting option available- it would require similar legislative change. Many of the committee members agreed that this would help them manage the administration of their seasonal staff. It was requested that the administration of this topic be included as an agenda item for the next meeting.

Re-Calculation on Employer Invoices

A question was asked regarding if it would be possible for DRS to send employers credits and invoices at the same time when a re-calc is done. Chair Nelsen answered that DRS is working on consolidating credits and invoices that are issued due to a re-calc. Invoices and Credit Memos will also be looked at in hopes that corresponding invoice numbers can be included on the documentation in order to help employers identify which invoices and credits are related.

AGENDA ITEMS FOR THE JUNE 24th, 2004 MEETING

- Part- Time Eligible Employee Procedure

A confirmed agenda will be available on the DRS website under Employer Advisory Committee in mid-May 2004 at <http://www.drs.wa.gov/employer/eac/index.htm>.

NEXT MEETING

The next EAC meeting is scheduled for June 24th, from 9:30 a.m. to 12 p.m., at the DRS Point Plaza West building, located at 6835 Capitol Boulevard in Tumwater. Please see the map to DRS on the EAC Web site for directions to the facility at: <http://www.drs.wa.gov/agency/mappage.htm>.

PARKING FOR THE MEETINGS

There are visitors' parking spaces located in front of the building, as well as spaces reserved by orange cones for Committee members. You may also park in any stall that is not marked for another agency such as DSHS or OFM.

QUESTIONS?

If you have any questions, please contact Dave Nelsen at (360) 664-7304, or toll-free 1-800-547-6657 ext. 47304 or by email at daven@drs.wa.gov.